

Cigarette tax trifecta

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As state lawmakers scramble to find revenue measures palatable to a two-thirds majority needed to secure any increase in taxes, a budgetary no brainer awaits them in the form of straightforward legislation, Senate Bill 483, which could add close to \$200 million in new revenue to the general fund over the next biennium. A recently amended version of SB 483 by Senate Republicans would increase Nevada's cigarette excise tax by \$1 per pack, taking it from its current level of 80 cents to \$1.80 per pack.

While SB 483 passed out of the Senate on Friday afternoon by an 18-3 vote, it faces a tougher test in the Assembly. Nonetheless, passage of SB 483 would represent a rare policymaking trifecta for Nevada: it would be a budgetary win for the revenue-starved general fund, a public health win for a state dogged by high smoking rates and tobacco-related medical costs, and a political win for lawmakers searching for a reliable revenue source popular with the public.

Analysis from the Campaign for Tobacco-Free Kids indicates that every state that has significantly raised its cigarette tax rate has subsequently received more tax revenue than they would have received absent a rate increase, despite tax-induced reductions in smoking and taxable sales. In other words, the proposed increased tax of \$1 per pack will generate much more new revenue than is lost from anticipated drops in the number of packs sold and taxed in Nevada.

Equally important, higher revenue levels enjoyed by those states that significantly increase their cigarette tax rates persist over time. CTFK conservatively estimates that the proposed tax hike of \$1 per pack would generate \$70 million of new revenue during each year of the next biennium in Nevada. Legislative fiscal analysts peg projected new revenue a bit higher at \$95 million per year or nearly \$200 million over the course of the next biennium.

For lawmakers vexed by the regressive impact of any cigarette tax increase (newsflash: Nevada state budgets have been built on the unfair, not to mention shaky, edifice of regressive sales, excise, and business-payroll taxes for decades), research has consistently found that tax increases on the order \$1 per pack will produce significant increases in the number of young adults and other price-sensitive groups who quit smoking or never take up smoking in the first place – public health wins that come with substantial medical cost savings.

Currently, the toll of tobacco use in Nevada includes an estimated \$1.1 billion in health care costs directly caused by smoking and \$149 million in smoking-related Medicaid costs borne by

Nevada taxpayers each year. A reasonable compromise for lawmakers truly troubled by the regressive fact of a cigarette tax increase might simply be to earmark one or two million dollars of new revenue – a rounding error, if you will – to targeted cessation resources for low-income Nevadans struggling with smoking and nicotine addiction.

Polling across the country reveals overwhelming public support for higher tobacco taxes – particularly when new revenue is put to good use. Passage of SB 483 and its associated cigarette tax hike will be no different and takes us one step closer to funding this session's budget priorities.

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